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Senate passes Renew Michigan plan

Plan calls for reduced business taxes and restraint in government spending growth

LANSING – The state Senate sent a clear message that lower business taxes and restraint in government spending growth are key to getting Michigan’s economy back on track, announced Sen. Beverly Hammerstrom, R-Temperance.

The Senate passed the Renew Michigan plan on Tuesday, which calls for cutting business taxes by at least \$1 billion during the next six years, starting with a \$100 million reduction in 2006. It also restrains government spending growth to the rate of inflation plus 1 percent. In addition, the plan sets the stage for an additional \$1.4 billion in business-tax cuts and automatic deposits in the state’s “rainy day fund.”

“This is a positive step in the battle to turn our state’s economy around,” Hammerstrom said. “By lowering business taxes, we are encouraging companies to stay in Michigan. We are telling them that Michigan is a great place to do business.”

Senate Republicans noted that if the Renew Michigan plan had been in place in the mid-1990s, it would have triggered \$850 million in additional business-tax cuts and \$450 million in deposits to the state’s rainy day fund. Hammerstrom also stated the restraint on state government spending growth is a key component of using tax cuts to stimulate the economy.

“If we are serious about turning Michigan around, we need to set our priorities and stick with them,” Hammerstrom said. “By spending less and encouraging businesses to remain in this state, we are showing our commitment to the people of Michigan and letting them know that we are fighting to get them back to work.”

Economic diversification is also a priority for the Senate. Diversification will allow Michigan to expand its economy through long-term investments. With support from the state, entrepreneurs will spur new technologies, create new products, create future high-paying jobs and change the economic culture of the state. This approach will also help Michigan retain college graduates in these fields who have been leaving for jobs in other states.

“I am proud of the Renew Michigan plan,” Hammerstrom said. “The steps we are taking now will help move our state to the forefront of technology. This is a win-win for everyone.”

Last week the Senate passed legislation that allows the state to take a portion of Michigan's annual tobacco settlement revenue and invest it in new ways to diversify the economy. Known as securitization, it provides an upfront lump sum of money from the tobacco settlement instead of a predetermined amount over a set period of years. The state will use the money to provide grants and loans to companies involved in the research and commercialization of new products while also stimulating venture capital investments in Michigan.

"It's very clear that if we are going to bring Michigan out of this economic slump we have to take action," said Senate Majority Leader Ken Sikkema, R-Wyoming. "The biggest risk of all is to just sit here and watch this state hemorrhage jobs as employers look elsewhere to invest."

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